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# Missouri Real Estate Malpractice Insurance Report 1999



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Missouri Department of Insurance  
Statistics Section

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**MISSOURI  
REAL ESTATE  
MALPRACTICE  
INSURANCE  
REPORT  
1999**

**Missouri Department of Insurance  
Statistics Section  
August 2000**

### **Other Publications Available**

The Missouri Department of Insurance publishes the following statistical reports. These reports are available by sending a written request along with the payment of \$35 to the Missouri Department of Insurance, P.O. Box 690, Jefferson City, MO 65102-0690.

**Missouri Department of Insurance Annual Report**  
**Missouri Medical Malpractice (Closed Claim) Report**  
**Missouri Legal Malpractice (Closed Claim) Report**  
**Missouri Market Share Report**  
**Missouri Products Liability (Closed Claim) Report**  
**Missouri Health Maintenance Organization Report**  
**Missouri Complaint Index Report**  
**Missouri Life, Accident & Health Supplement Report**  
**Missouri Property & Casualty Supplement Report**  
**Missouri Mortgage Guaranty Report**  
**Missouri Uninsured Auto Report**

### **Databases Available**

*Medicare Supplement Experience Data*  
*Missouri Zip Code Insurance Data for Homeowners/Dwelling Fire,*  
*Farmowners (dwelling only), Mobile Home, Earthquake and Private Passenger Automobile*

Some data is available to the public for a fee by special request only. For additional information, contact the Statistics Section at 573/751-4126.

## **Real Estate Malpractice Insurance Report**

### **Executive Summary**

This report is a summary of Missouri real estate malpractice data for 1990 to 1999. The charts, graphs and tables, limited to closed claim information, were constructed from data collected by the Missouri Department of Insurance as required by Section 383.060 RSMo. The premium and loss data, obtained from the Missouri Page 15 Supplement to the companies' annual statements, is presented in the final section.

The loss ratio for real estate malpractice in Missouri during 1999 was -253 percent, which is a significant decline from the extremely low 26 percent in 1998. The industry posted a negative loss ratio because companies wrote off excess reserves from previous years. Thirty-eight claims were closed in 1999, compared to a high of 82 in 1991. Only 12 claims (31 percent) were paid with an average paid amount of \$17,556, which is the highest average amount paid throughout this ten year period.

From 1990 to 1999, 517 real estate malpractice claims were closed in Missouri: 176 (34 percent) with payment, and 341 (66 percent) without payment.

In 1999 the average loss adjustment expense for all claims closed with payment was \$13,796 while the expenses for all claims closed without payment averaged only \$6,367.

In Section II, indemnities paid on closed claims are shown by various claim characteristics. The number of closed claims, average paid claim and total amount paid are included in each of these six categories:

- Area of real estate in which the claims were filed.
- Major activity in which the agent was engaged at the time the alleged error or omission occurred.

- Alleged error or omission that was the most significant reason for making the claim.
- The legal disposition of the claim at the closing date.
- The number of years the insured had been in practice at the time of the alleged error or omission.
- The relationship of the insured to the claimant.

Five companies reported writing real estate malpractice insurance business in Missouri during 1999, compared to eight companies reporting premium written in 1998. The three top writers of real estate malpractice insurance in Missouri maintain more than 90 percent of the market: Continental Casualty Company with 76 percent, St. Paul Fire and Marine Insurance Company with 11 percent and American Automobile Insurance Company with 9 percent.

This report was compiled using information submitted by the insurance companies. As a result, the accuracy of this report is dependent upon the accuracy of each company's data. Copies of this report will be made available in braille, large print or on audio cassette upon request. Any questions regarding this report should be addressed to the Statistics Section, Missouri Department of Insurance, P.O. Box 690, Jefferson City, Missouri 65102-0690.

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**TEN YEAR  
SUMMARY  
(1990 - 1999)**

# REAL ESTATE MALPRACTICE EXPERIENCE TEN YEAR SUMMARY

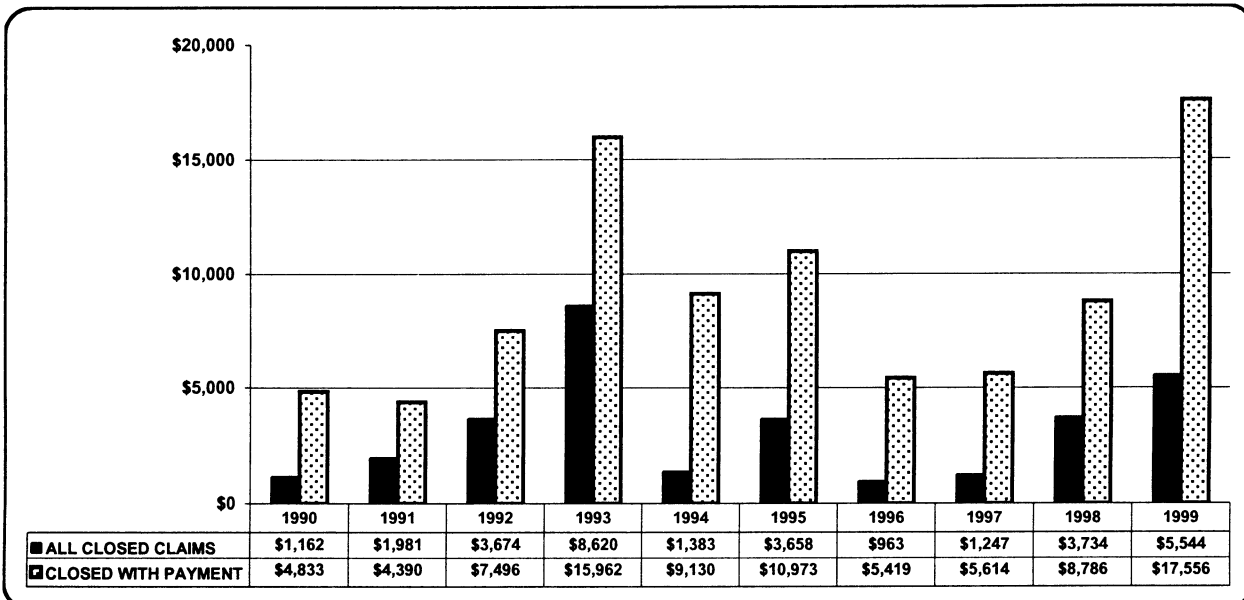
1990 - 1999

CLOSED CLAIMS	NUMBER OF CLAIMS	PERCENT OF CLAIMS	TOTAL INDEMNITY PAID	AVERAGE INDEMNITY PAID	TOTAL LOSS EXPENSES PAID	AVERAGE LOSS EXPENSE PAID
All Closed Claims	517	100.0%	\$1,531,910	\$2,963	\$1,671,870	\$3,234
Closed with Payment	176	34.0%	\$1,531,910	\$8,704	\$1,144,851	\$6,505
Closed without Payment	341	66.0%	\$0	\$0	\$527,019	\$1,546

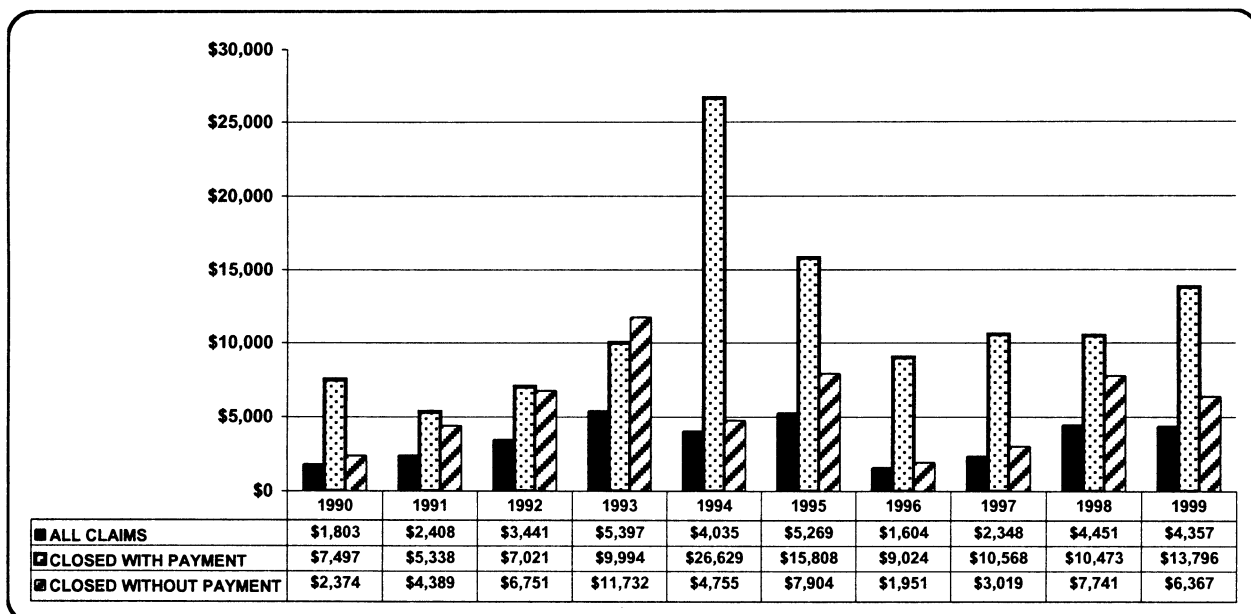


## MISSOURI REAL ESTATE MALPRACTICE INSURANCE

### Average Paid Claim

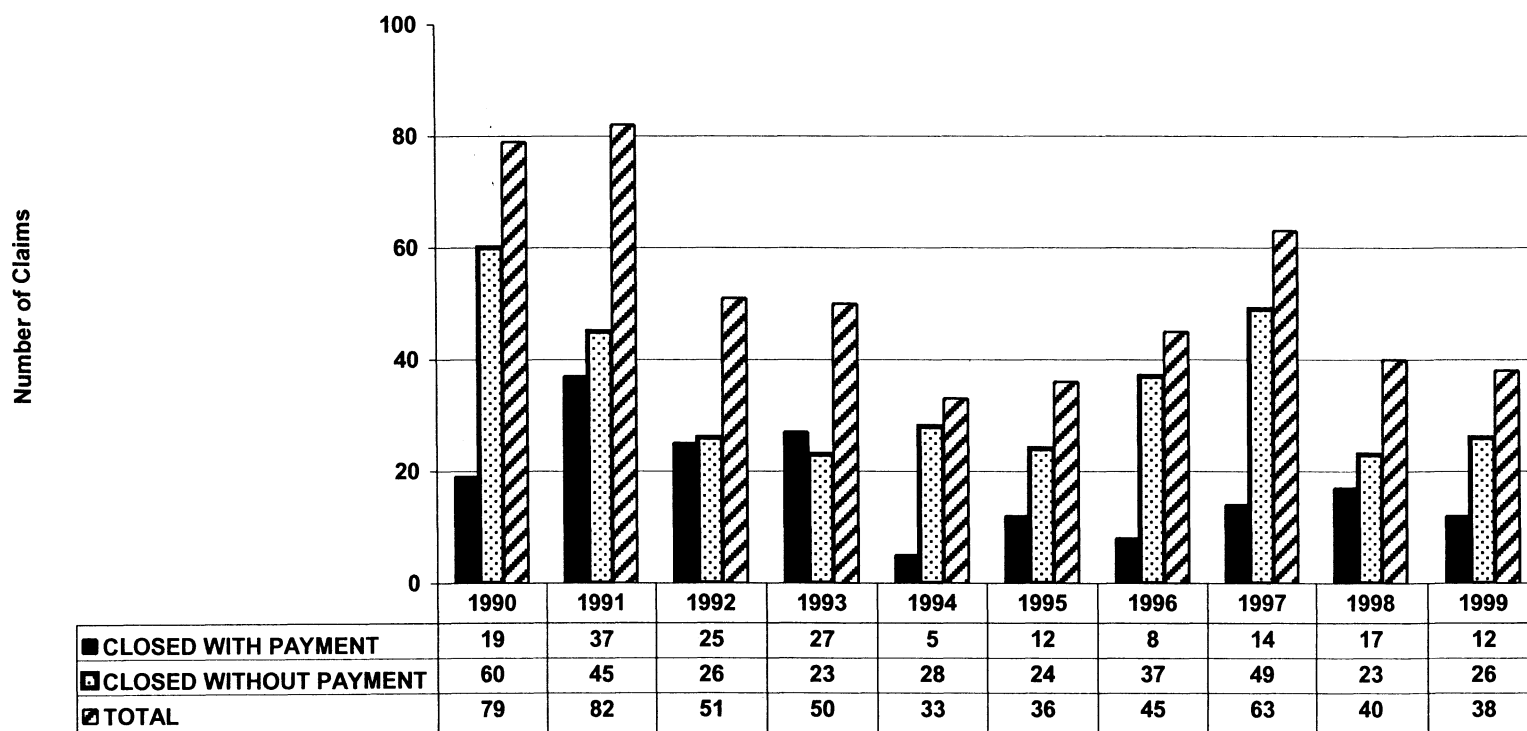


### Average Paid Loss Adjustment Expense



# MISSOURI REAL ESTATE MALPRACTICE INSURANCE

## Claim Count



**TEN YEAR SUMMARY  
&  
1999 SUMMARY  
BY  
AREA OF REAL ESTATE**

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1990 – 1999

AREA OF REAL ESTATE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
AS AGENT TO PROCURE PURCHASE OF PROPERTY	330	105	59.66%	\$11,105	\$1,166,016	76.12%	\$3,712
NOT SPECIFIED	105	45	25.57%	\$4,774	\$214,817	14.02%	\$1,990
AS AGENT TO PROCURE PROPERTY TO PURCHASE	81	26	14.77%	\$5,811	\$151,077	9.86%	\$2,848
OTHER	1	0	0.00%	\$0	\$0	0.00%	\$7,101
<b>TOTAL</b>	<b>517</b>	<b>176</b>	<b>100.00%</b>	<b>\$8,704</b>	<b>\$1,531,910</b>	<b>100.00%</b>	<b>\$3,234</b>

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

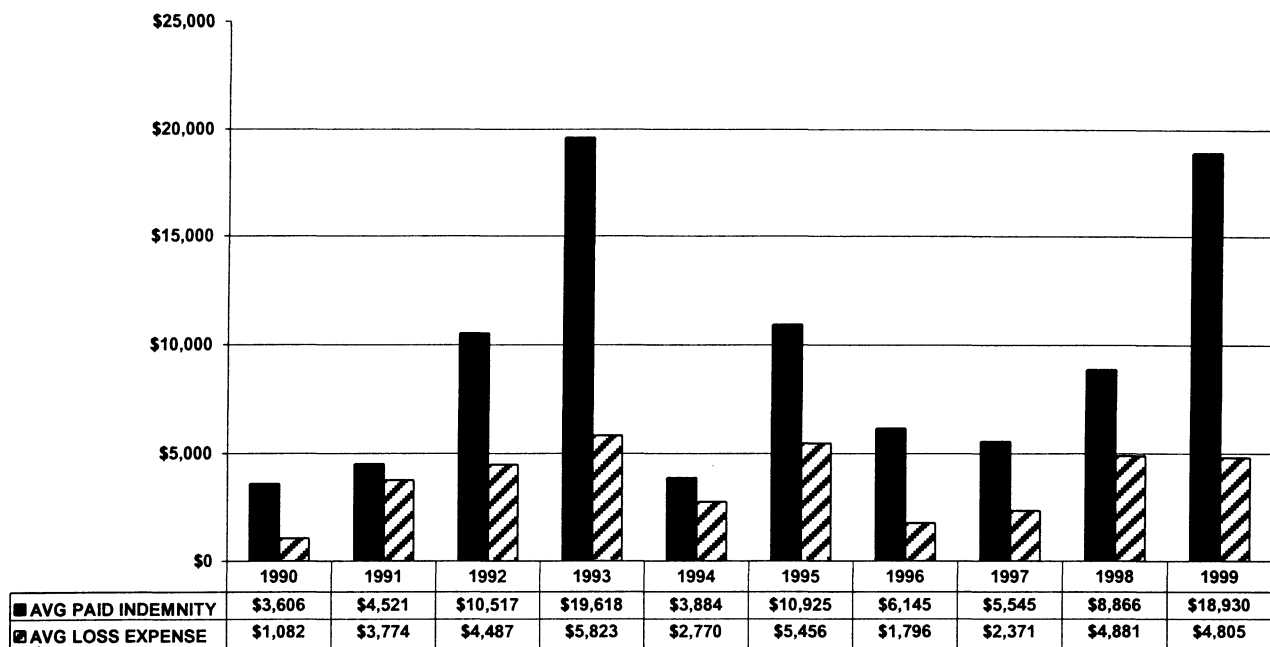
## CLAIMS CLOSED IN 1999

AREA OF REAL ESTATE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
AS AGENT TO PROCURE PURCHASE OF PROPERTY	32	11	91.67%	\$18,930	\$208,225	98.84%	\$4,805
AS AGENT TO PROCURE PROPERTY TO PURCHASE	6	1	8.33%	\$2,445	\$2,445	1.16%	\$1,964
TOTAL	38	12	100.00%	\$17,556	\$210,670	100.00%	\$4,357

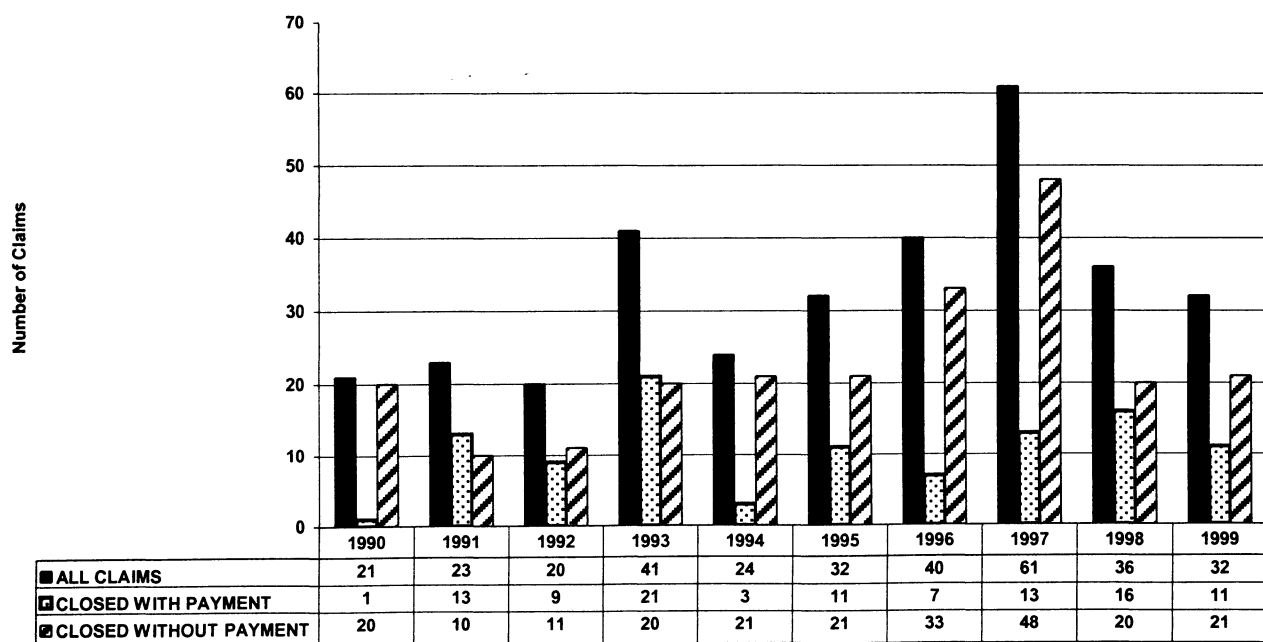
**AREA OF REAL ESTATE  
TRENDS  
OF  
1999**

## AS AGENT TO PROCURE PURCHASE OF PROPERTY

### Average Paid Indemnity & Average Loss Expense

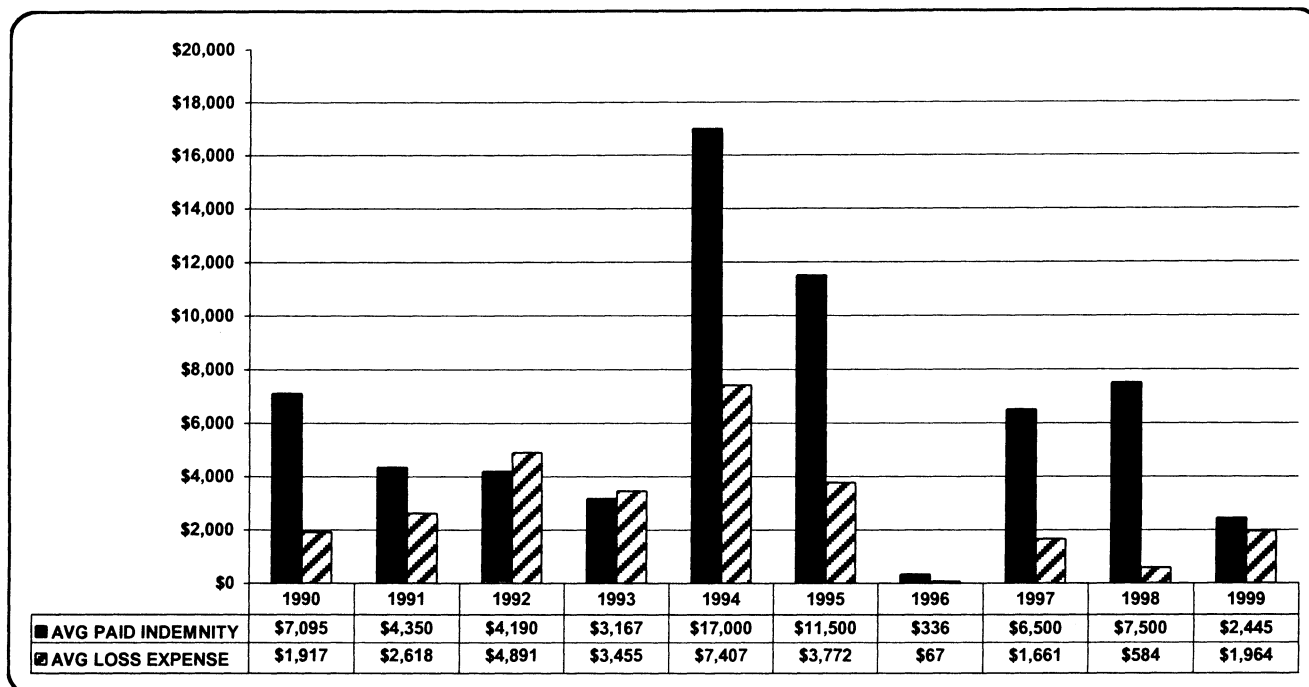


### Claim Count

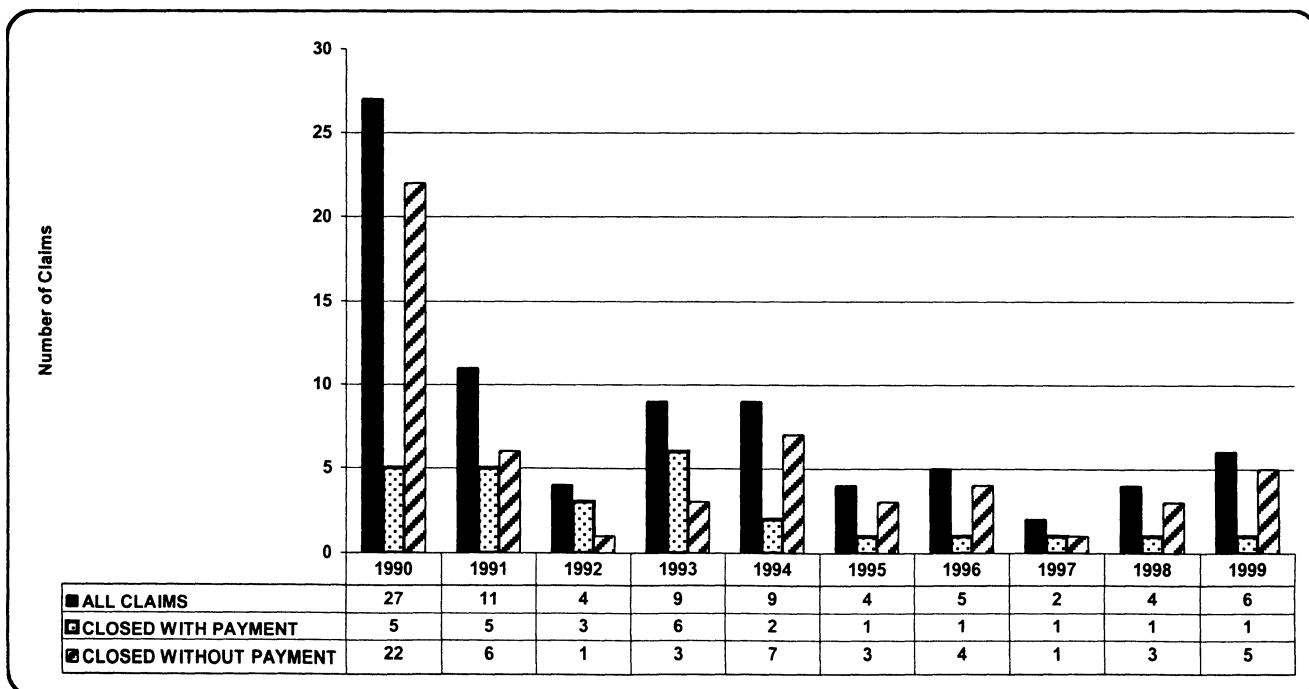


## AS AGENT TO PROCURE PROPERTY TO PURCHASE

### Average Paid Indemnity & Average Loss Expense



### Claim Count





**TEN YEAR SUMMARY  
&  
1999 SUMMARY  
BY  
MAJOR ACTIVITY**

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1990 – 1999

MAJOR ACTIVITY CODE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
LISTING THE PROPERTY FOR SALE	230	70	39.77%	\$11,785	\$824,917	53.85%	\$3,541
SHOWING PROPERTY	131	47	26.70%	\$8,276	\$388,986	25.39%	\$2,999
NOT SPECIFIED	105	45	25.57%	\$4,774	\$214,817	14.02%	\$1,990
CLOSING AND TRANSFERRING TITLE	51	14	7.95%	\$7,371	\$103,190	6.74%	\$5,010
<b>TOTAL</b>	<b>517</b>	<b>176</b>	<b>100.00%</b>	<b>\$8,704</b>	<b>\$1,531,910</b>	<b>100.00%</b>	<b>\$3,234</b>

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

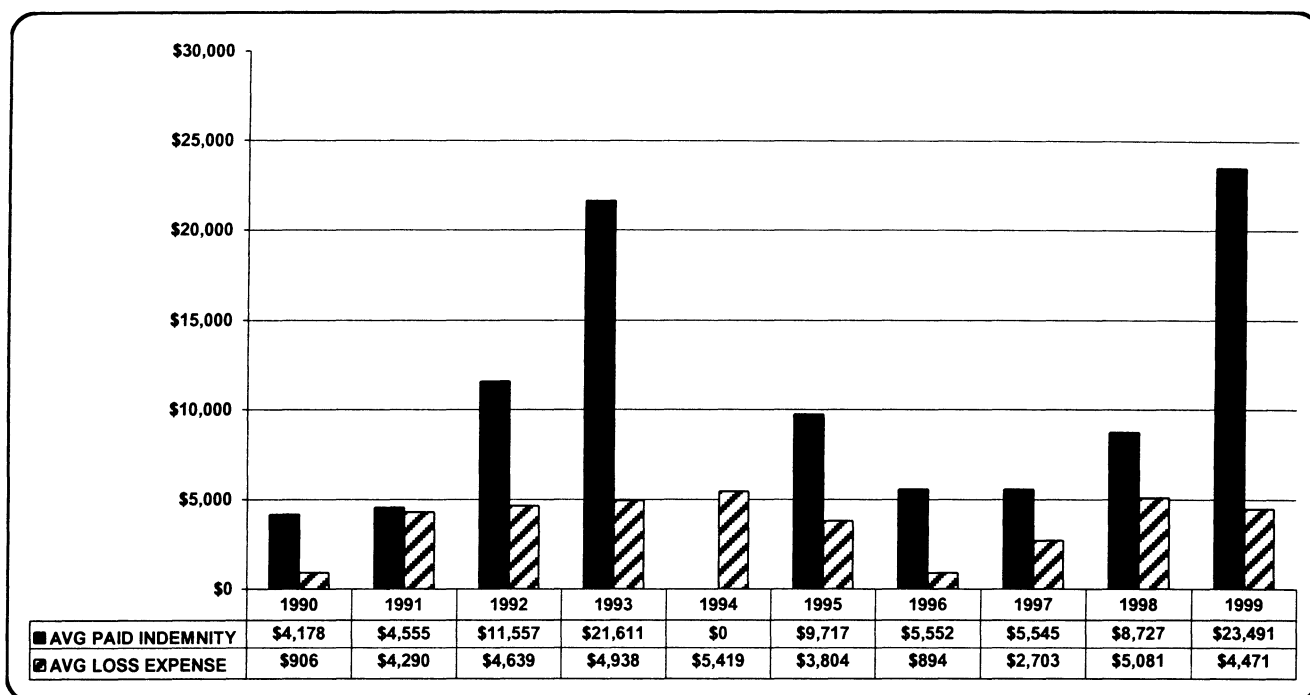
## CLAIMS CLOSED IN 1999

MAJOR ACTIVITY CODE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
LISTING THE PROPERTY FOR SALE	31	8	66.67%	\$23,491	\$187,925	89.20%	\$4,471
SHOWING PROPERTY	7	4	33.33%	\$5,686	\$22,745	10.80%	\$3,850
TOTAL	38	12	100.00%	\$17,556	\$210,670	100.00%	\$4,357

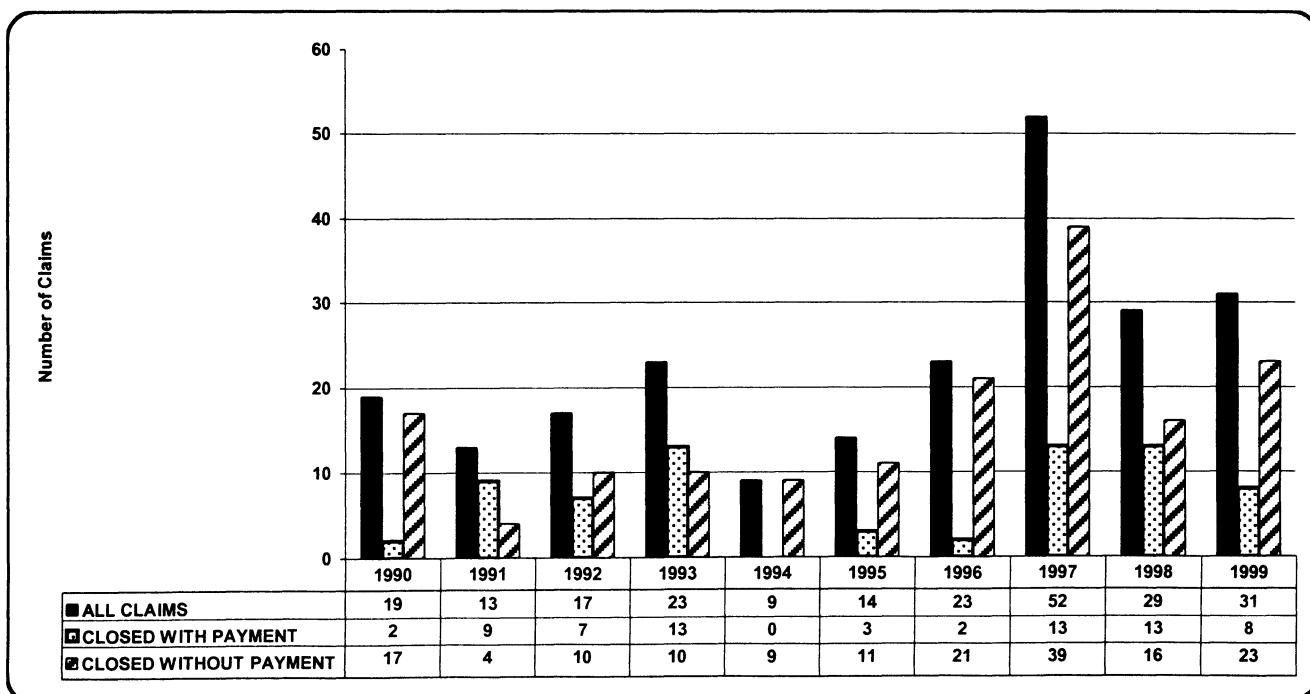
**MAJOR ACTIVITY  
TRENDS  
OF  
1999**

## LISTING THE PROPERTY FOR SALE

### Average Paid Indemnity & Average Loss Expense

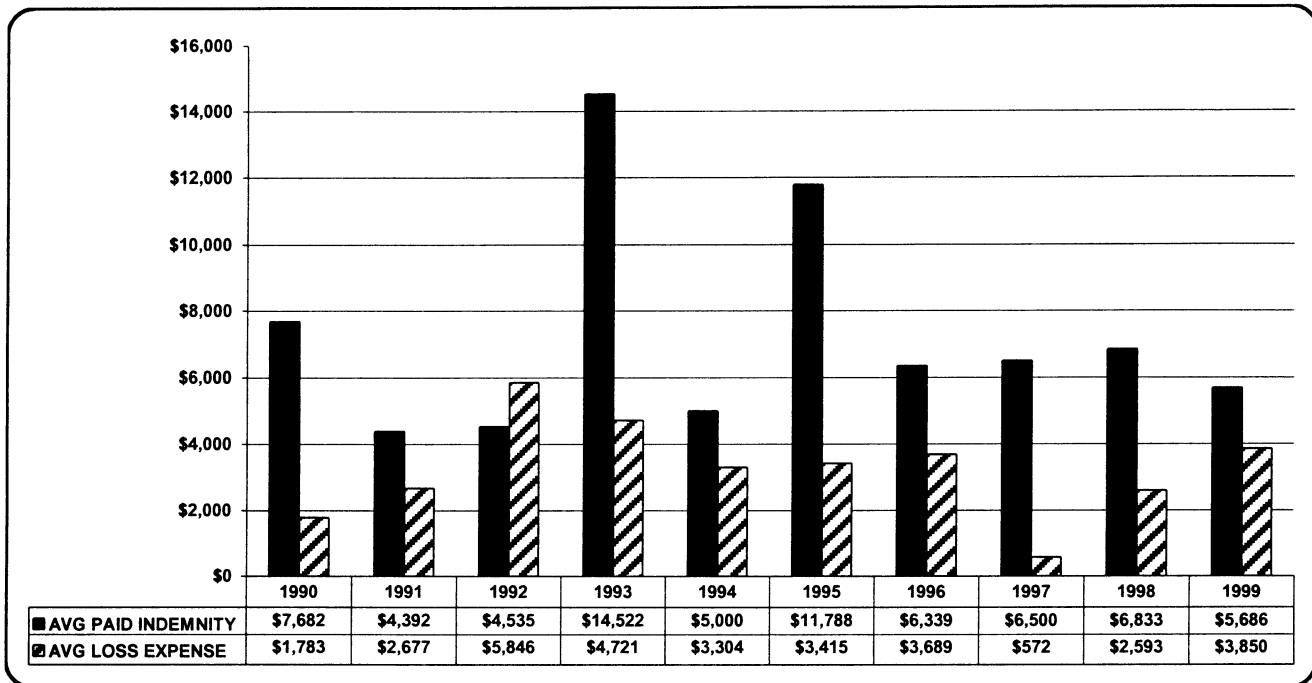


### Claim Count

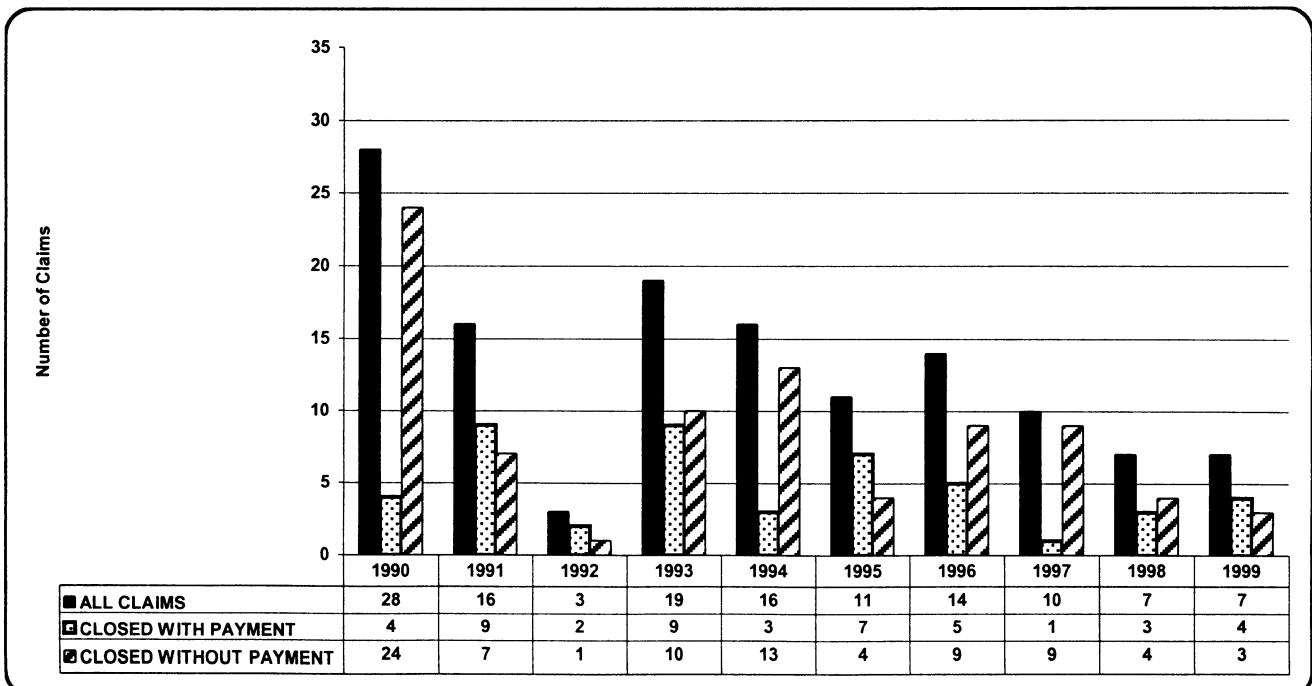


## SHOWING PROPERTY

### Average Paid Indemnity & Average Loss Expense



### Claim Count



**TEN YEAR SUMMARY  
&  
1999 SUMMARY  
BY  
ALLEGED ERROR OR OMISSION**

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1990 – 1999

ALLEGED ERROR OR OMISSION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY	329	107	60.80%	\$10,623	\$1,136,624	74.20%	\$3,598
NOT SPECIFIED	105	45	25.57%	\$4,774	\$214,817	14.02%	\$1,990
OTHER	58	14	7.95%	\$8,735	\$122,292	7.98%	\$3,350
FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP	25	10	5.68%	\$5,818	\$58,177	3.80%	\$3,391
TOTAL	517	176	100.00%	\$8,704	\$1,531,910	100.00%	\$3,234



# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

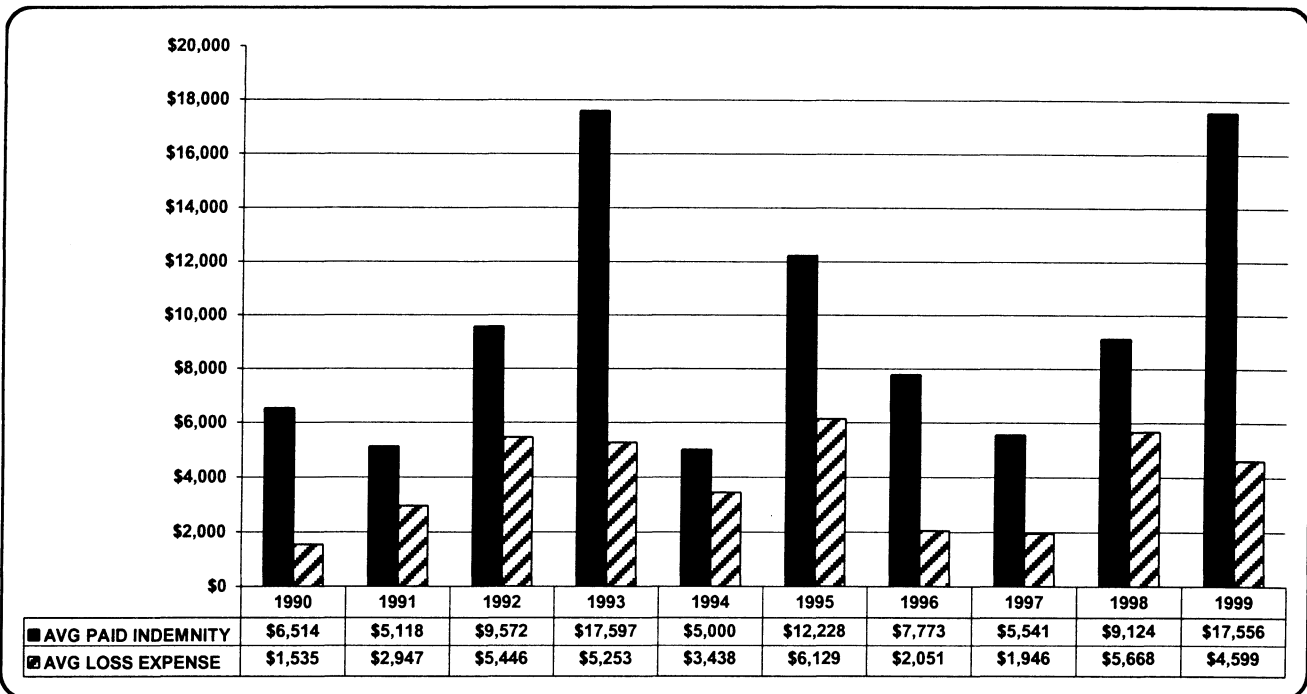
## CLAIMS CLOSED IN 1999

ALLEGED ERROR OR OMISSION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY	36	12	100.00%	\$17,556	\$210,670	100.00%	\$4,599
OTHER	2	0	0.00%	\$0	\$0	0.00%	\$0
TOTAL	38	12	100.00%	\$17,556	\$210,670	100.00%	\$4,357

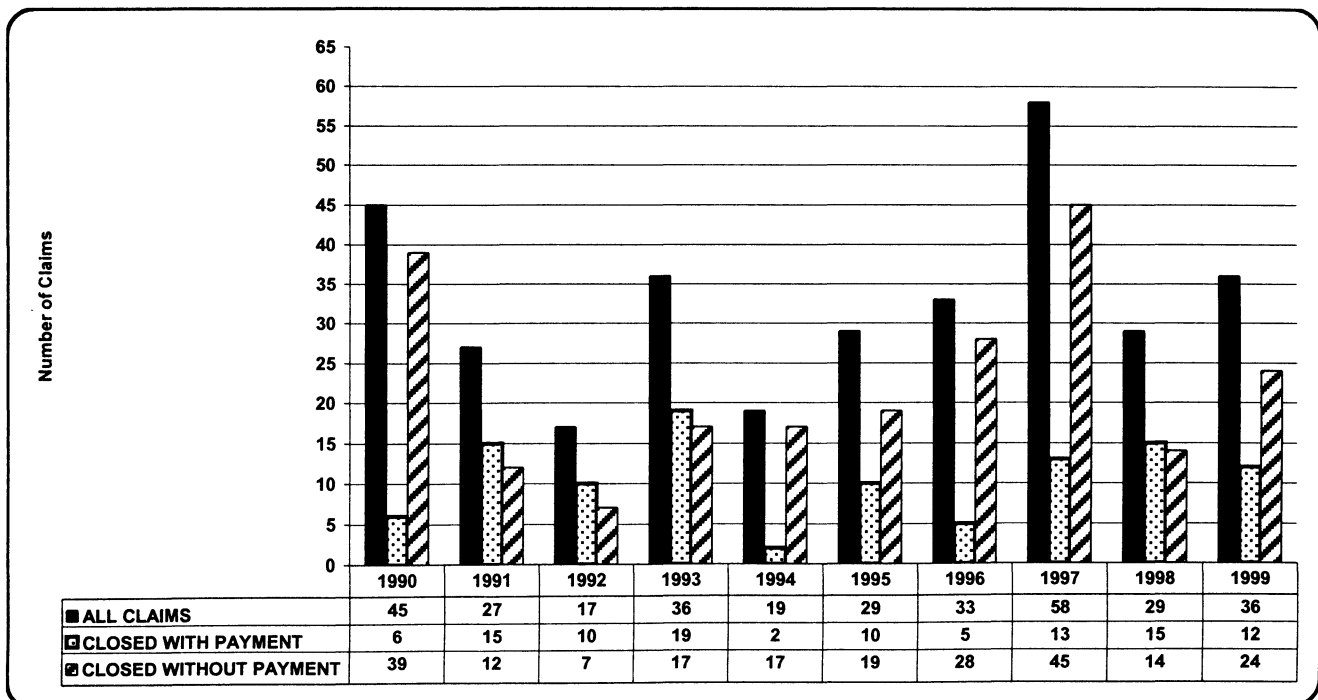
**ALLEGED ERROR OR OMISSION  
TRENDS  
OF  
1999**

## FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY

### Average Paid Indemnity & Average Loss Expense

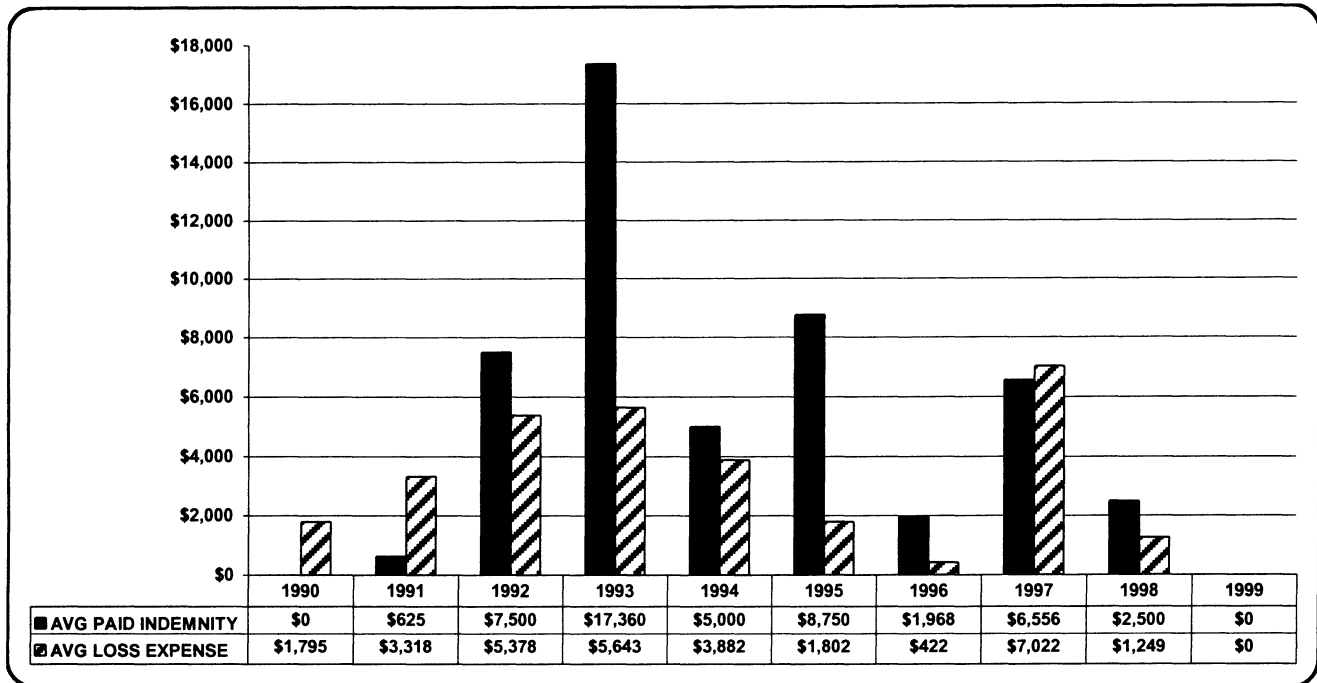


### Claim Count

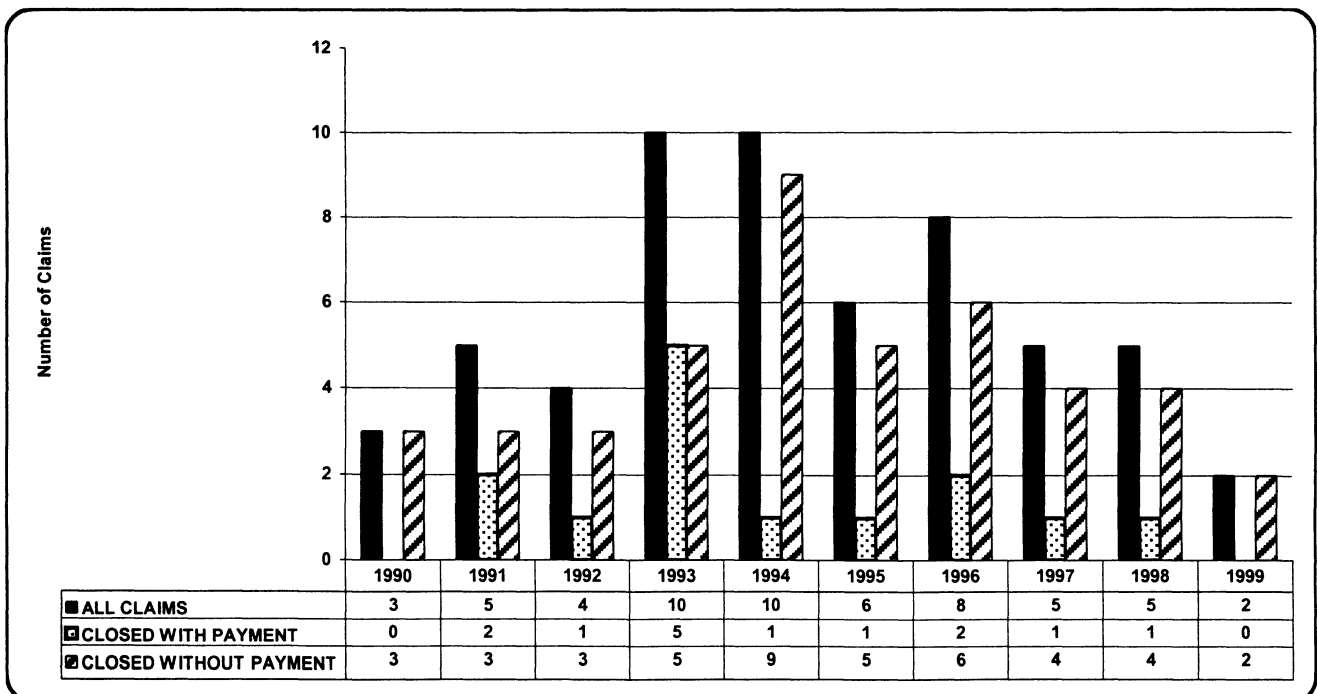


## OTHER

Average Paid Indemnity & Average Loss Expense



## Claim Count



**TEN YEAR SUMMARY  
&  
1999 SUMMARY  
BY  
CLAIM DISPOSITION**

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1990 – 1999

CLAIM DISPOSITION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NOT SPECIFIED	157	61	34.66%	\$5,183	\$316,146	20.64%	\$2,008
BEFORE TRIAL OR HEARING	149	91	51.70%	\$10,979	\$999,071	65.22%	\$5,716
CLAIM OR SUIT ABANDONED	111	2	1.14%	\$3,325	\$6,651	0.43%	\$1,167
BEFORE FILING SUIT OR DEMANDING HEARING	69	15	8.52%	\$6,934	\$104,011	6.79%	\$874
AFTER JUDGMENT, BEFORE APPEAL	16	1	0.57%	\$20,169	\$20,169	1.32%	\$12,427
DURING TRIAL OR HEARING	14	6	3.41%	\$14,310	\$85,862	5.60%	\$7,868
AFTER APPEAL	1	0	0.00%	\$0	\$0	0.00%	\$6,028
<b>TOTAL</b>	<b>517</b>	<b>176</b>	<b>100.00%</b>	<b>\$8,704</b>	<b>\$1,531,910</b>	<b>100.00%</b>	<b>\$3,234</b>

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

## CLAIMS CLOSED IN 1999

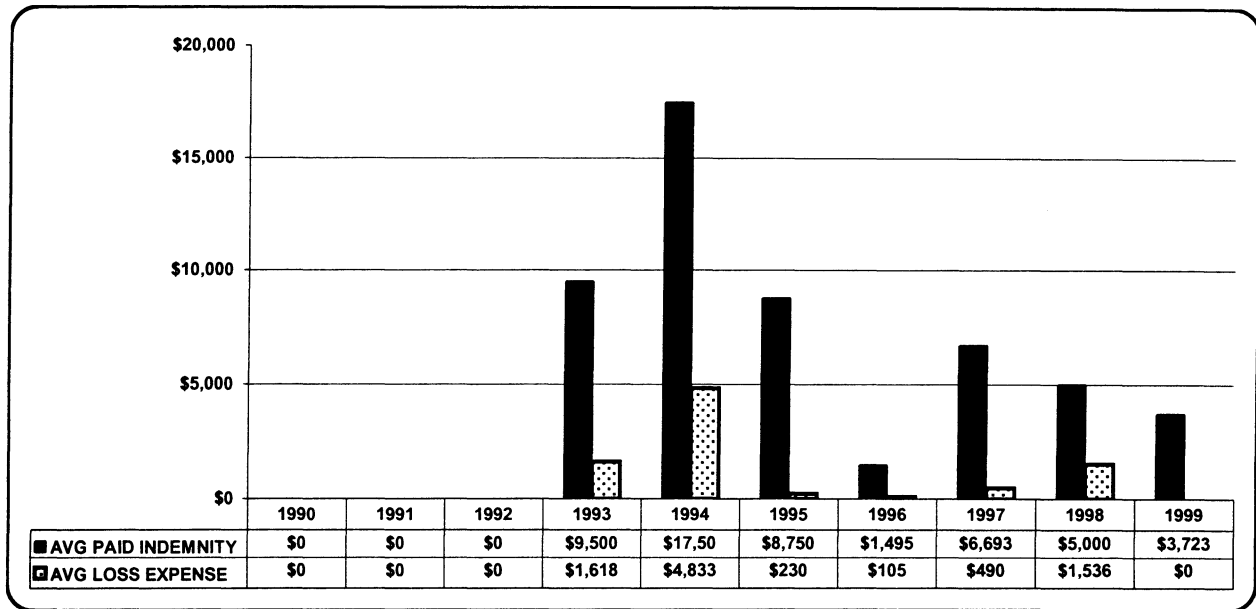
CLAIM DISPOSITION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
BEFORE FILING SUIT OR DEMANDING HEARING	18	2	16.67%	\$3,723	\$7,445	3.53%	\$0
BEFORE TRIAL OR HEARING	15	10	83.33%	\$20,323	\$203,225	96.47%	\$10,251
CLAIM OR SUIT ABANDONED	4	0	0.00%	\$0	\$0	0.00%	\$0
AFTER JUDGMENT, BEFORE APPEAL	1	0	0.00%	\$0	\$0	0.00%	\$11,781
<b>TOTAL</b>	<b>38</b>	<b>12</b>	<b>100.00%</b>	<b>\$17,556</b>	<b>\$210,670</b>	<b>100.00%</b>	<b>\$4,357</b>

**CLAIM DISPOSITION  
TRENDS  
OF  
1999**

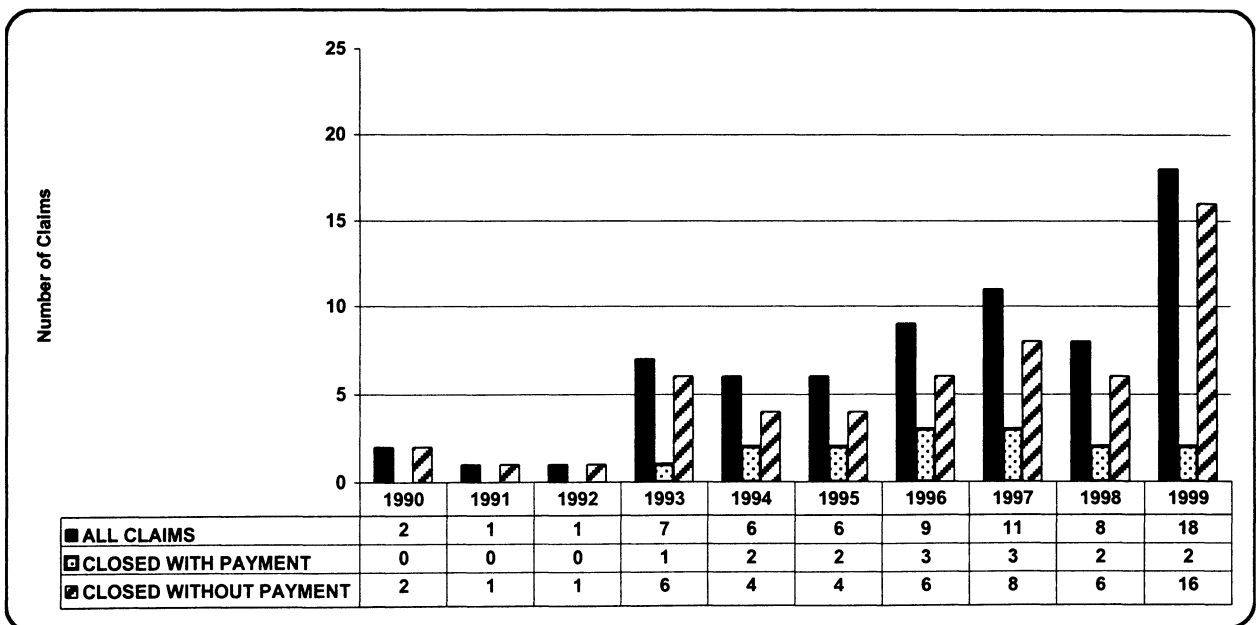


## BEFORE FILING SUIT OR DEMANDING HEARING

### Average Paid Indemnity & Average Loss Expense

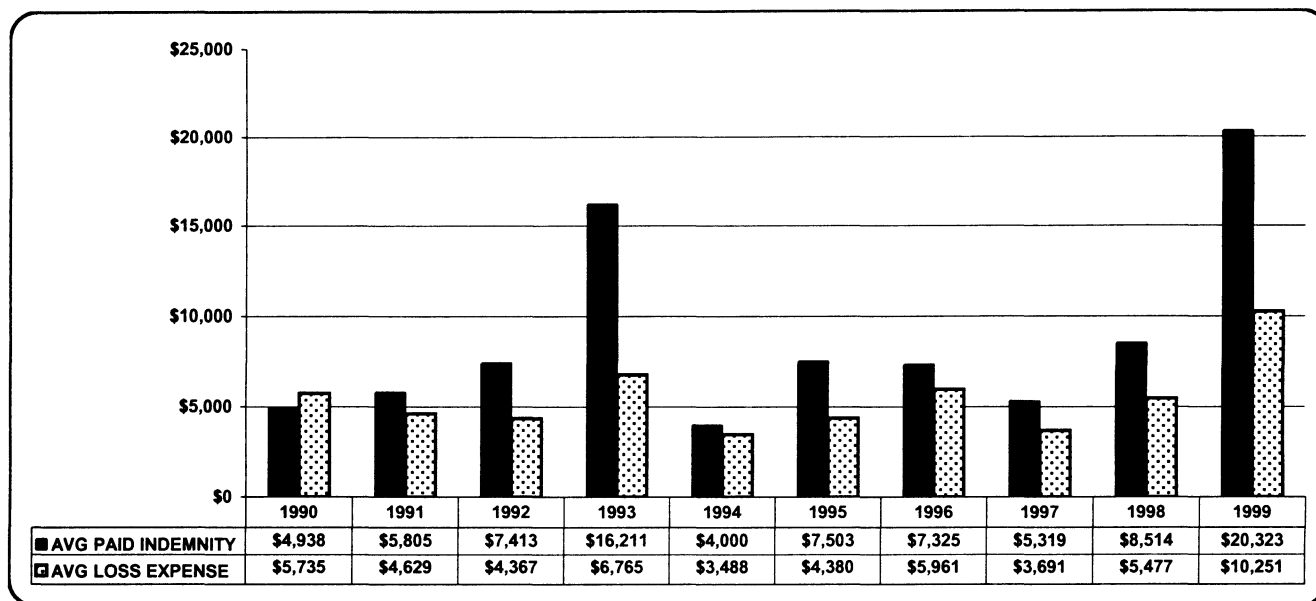


### Claim Count

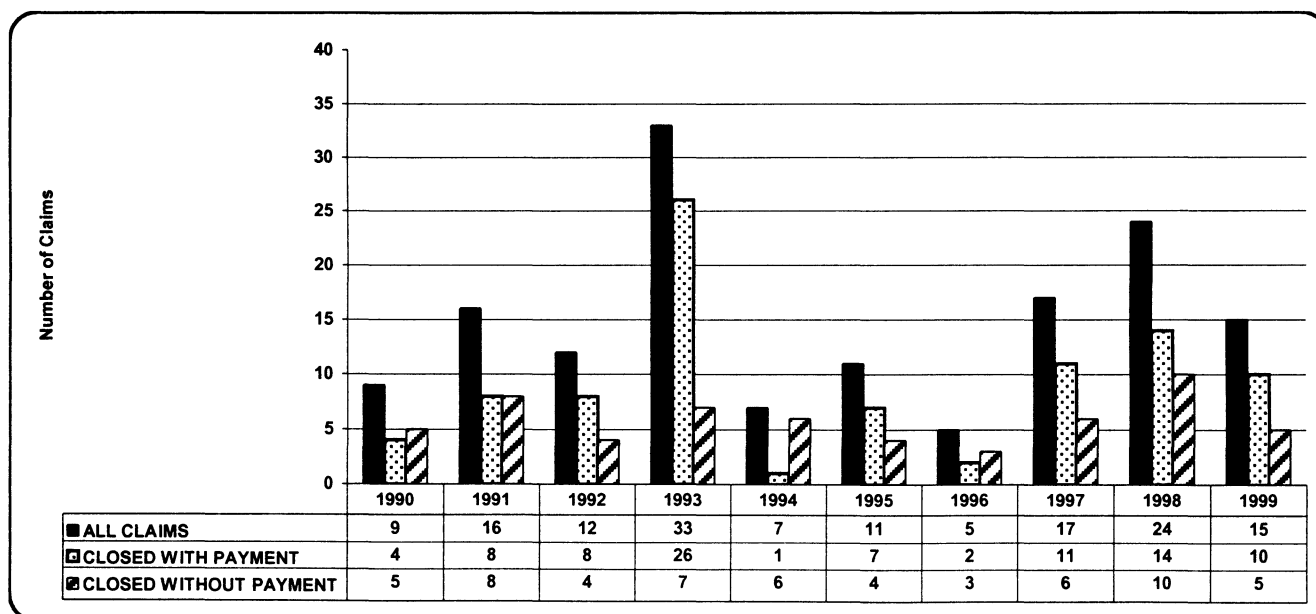


## BEFORE TRIAL OR HEARING

### Average Paid Indemnity & Average Loss Expense

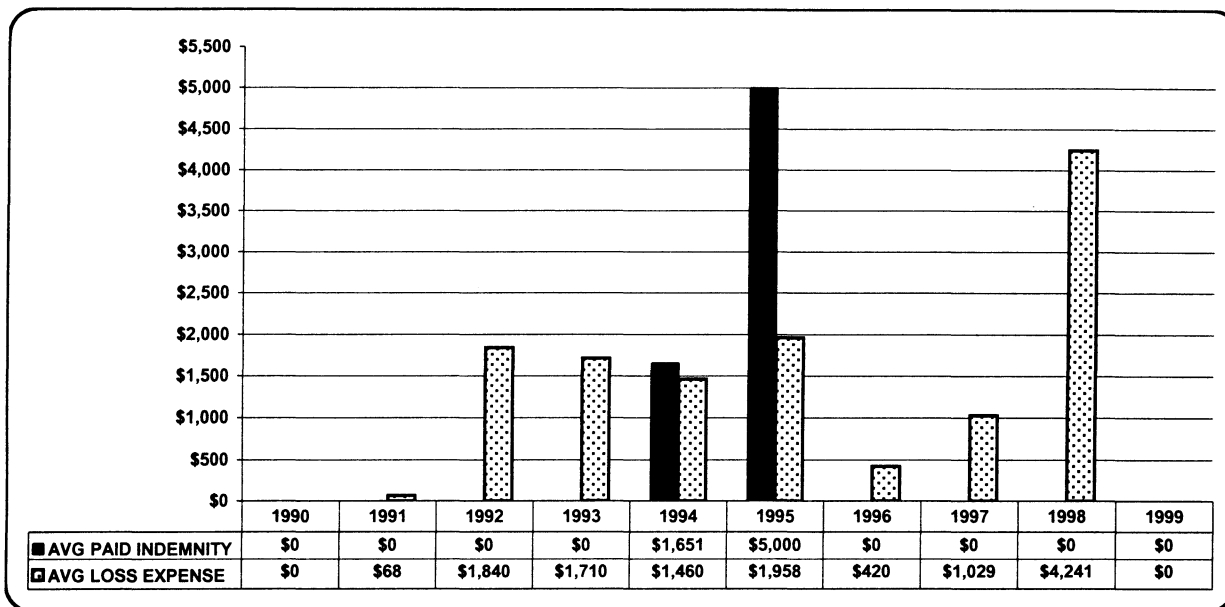


### Claim Count

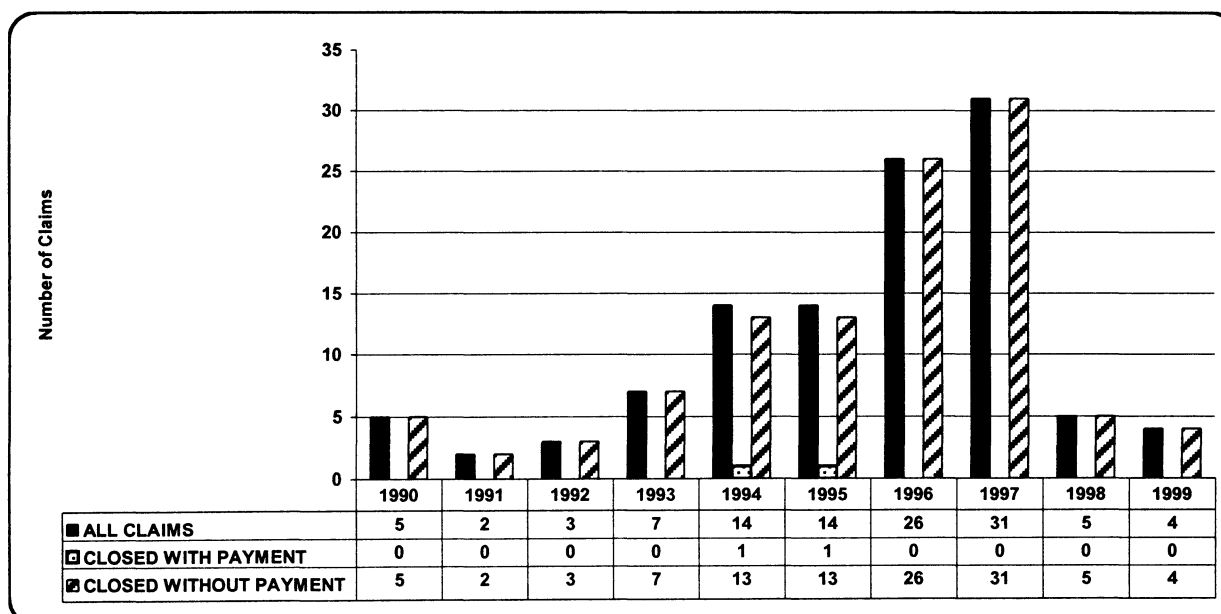


## CLAIM OR SUIT ABANDONED

### Average Paid Indemnity & Average Loss Expense

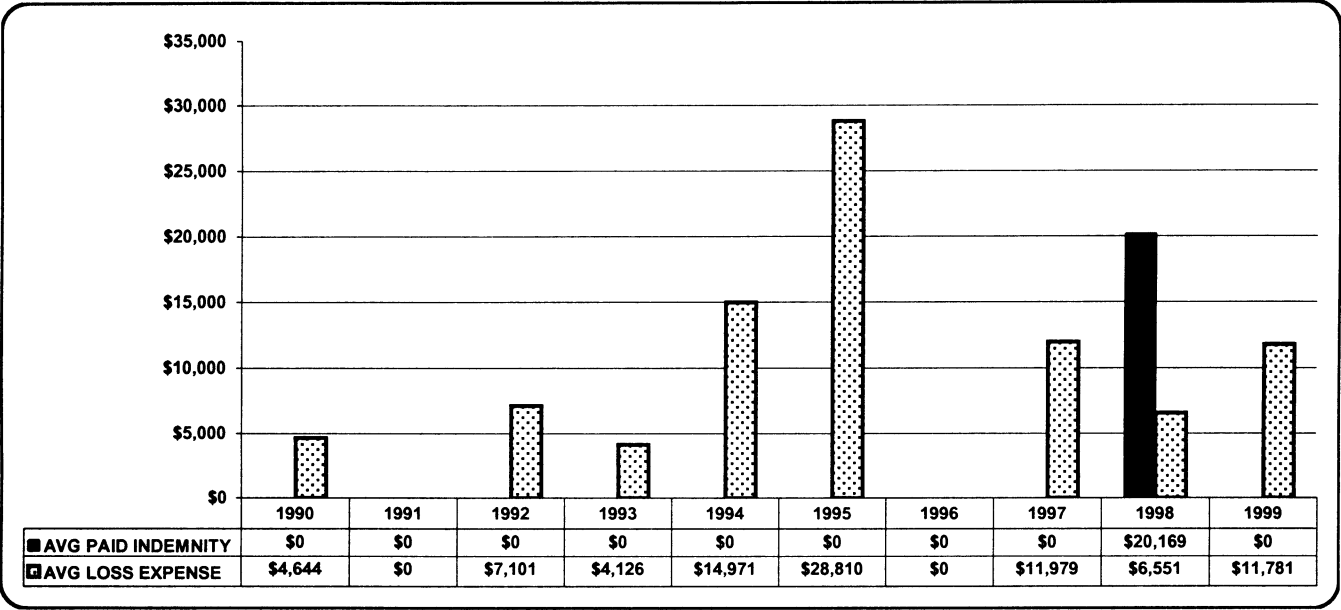


### Claim Count

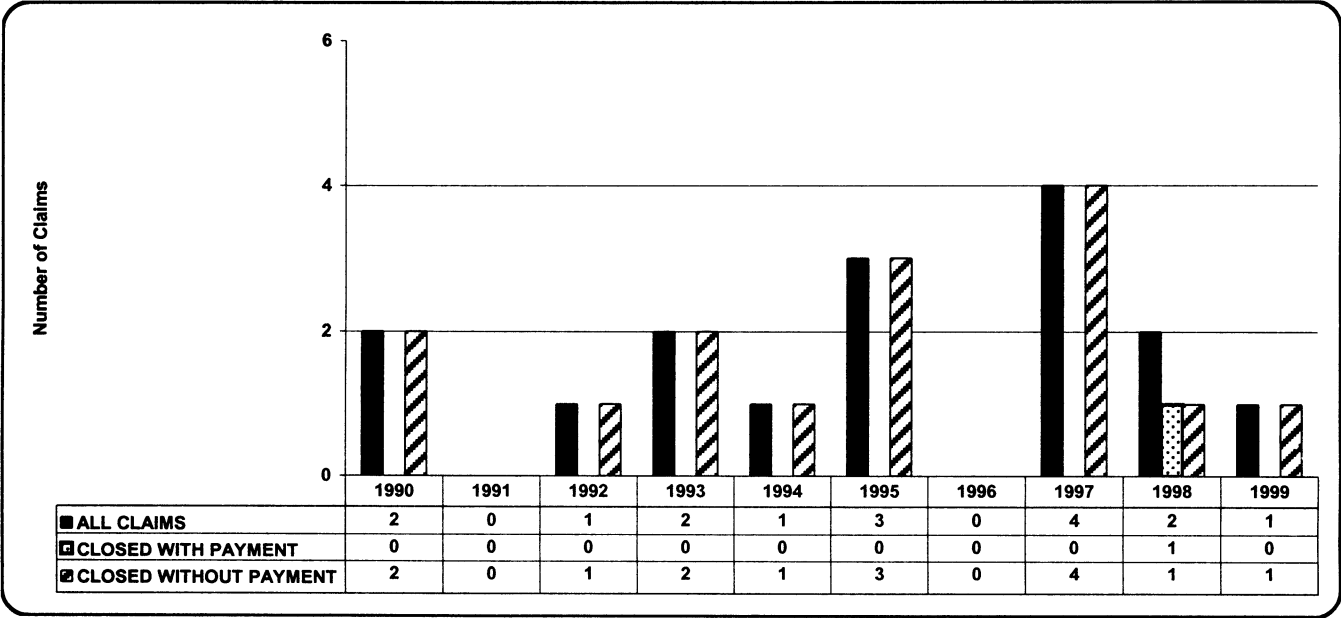


AFTER JUDGMENT, BEFORE APPEAL

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY  
&  
1999 SUMMARY  
BY  
YEARS ADMITTED TO PRACTICE**

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1990 – 1999

YEARS ADMITTED TO PRACTICE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
OVER 10 YEARS	199	67	38.07%	\$10,203	\$683,627	44.63%	\$3,756
4 TO 10 YEARS	158	40	22.73%	\$5,736	\$229,440	14.98%	\$3,252
NOT SPECIFIED	134	60	34.09%	\$9,712	\$582,742	38.04%	\$2,745
UNDER 4 YEARS	26	9	5.11%	\$4,011	\$36,101	2.36%	\$1,646
<b>TOTAL</b>	<b>517</b>	<b>176</b>	<b>100.00%</b>	<b>\$8,704</b>	<b>\$1,531,910</b>	<b>100.00%</b>	<b>\$3,234</b>

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

## CLAIMS CLOSED IN 1999

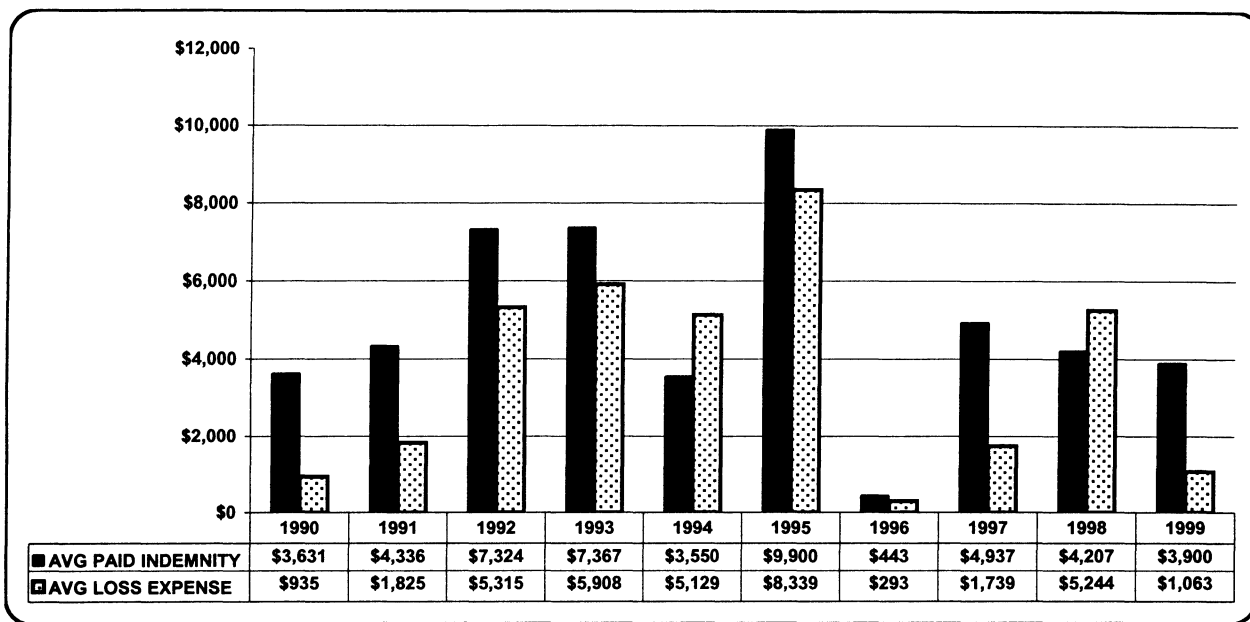
YEARS ADMITTED TO PRACTICE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
4 TO 10 YEARS	19	2	16.67%	\$3,900	\$7,800	3.70%	\$1,063
OVER 10 YEARS	19	10	83.33%	\$20,287	\$202,870	96.30%	\$7,650
TOTAL	38	12	100.00%	\$17,556	\$210,670	100.00%	\$4,357

**YEARS ADMITTED TO PRACTICE  
TRENDS  
OF  
1999**

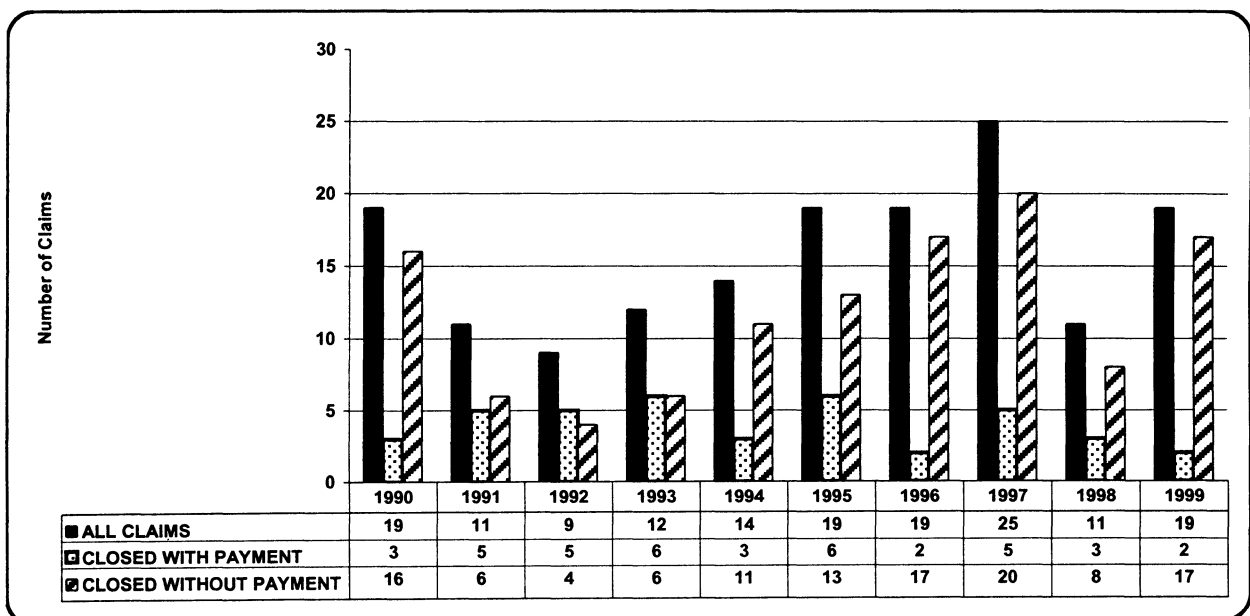


## 4 TO 10 YEARS

Average Paid Indemnity & Average Loss Expense

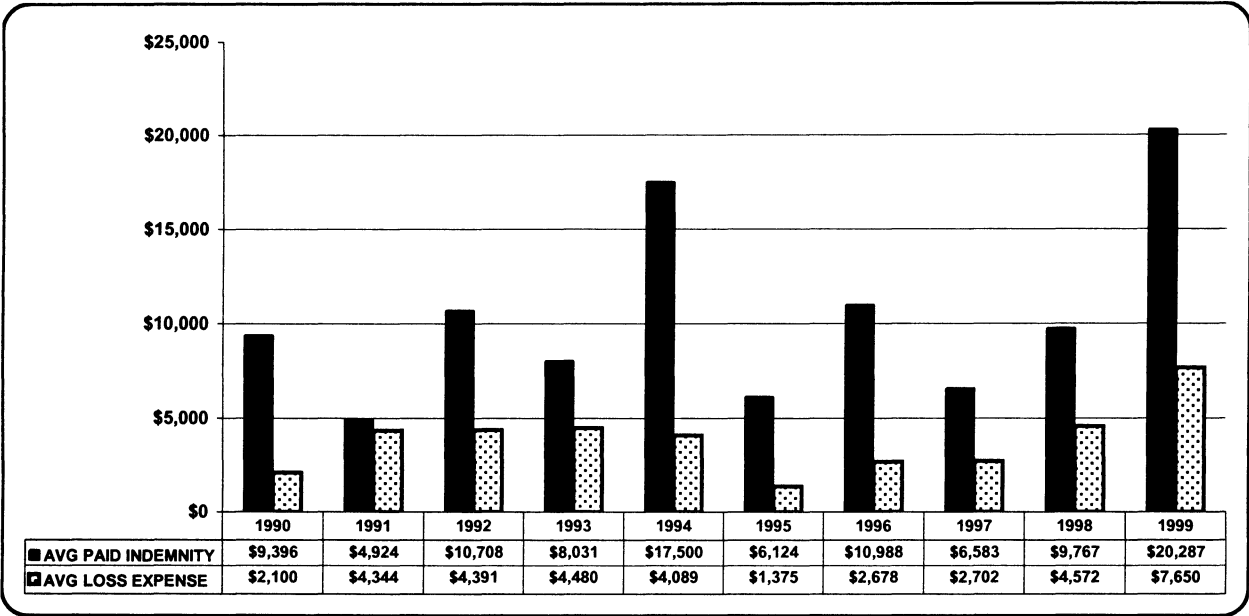


## Claim Count

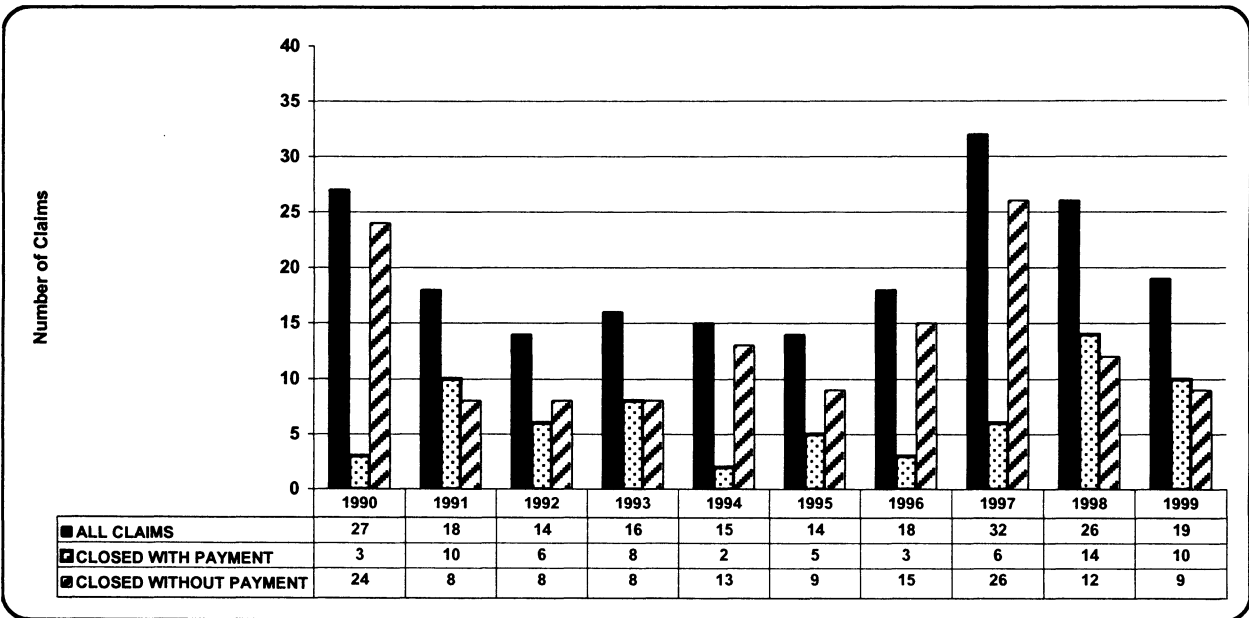


OVER 10 YEARS

Average Paid Indemnity & Average Loss Expense



Claim Count



**TEN YEAR SUMMARY  
&  
1999 SUMMARY  
BY  
INSURED/CLAIMANT RELATIONSHIP**

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1990 – 1999

INSURED'S RELATIONSHIP TO THE CLAIMANT	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT	302	97	55.11%	\$9,966	\$966,708	63.10%	\$3,441
CONTRACTUAL RELATIONSHIP WITH CLAIMANT	110	34	19.32%	\$10,305	\$350,385	22.87%	\$3,852
NOT SPECIFIED	105	45	25.57%	\$4,774	\$214,817	14.02%	\$1,990
<b>TOTAL</b>	<b>517</b>	<b>176</b>	<b>100.00%</b>	<b>\$8,704</b>	<b>\$1,531,910</b>	<b>100.00%</b>	<b>\$3,234</b>

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

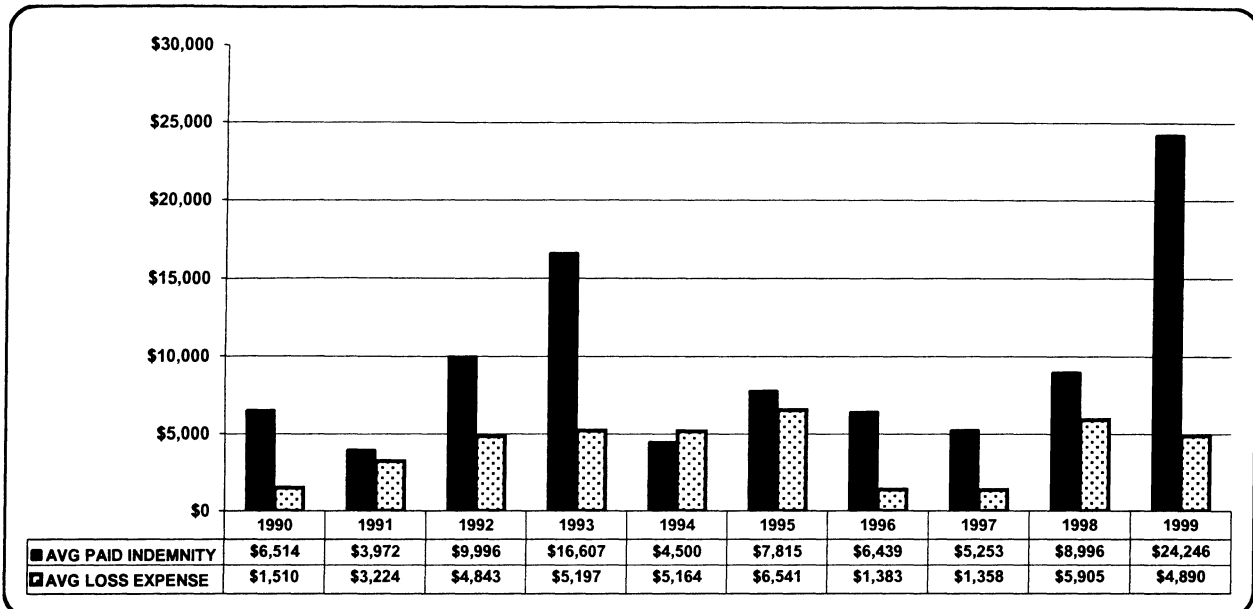
## CLAIMS CLOSED IN 1999

INSURED'S RELATIONSHIP TO THE CLAIMANT	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT	28	7	58.33%	\$24,246	\$169,725	80.56%	\$4,890
CONTRACTUAL RELATIONSHIP WITH CLAIMANT	10	5	41.67%	\$8,189	\$40,945	19.44%	\$2,863
TOTAL	38	12	100.00%	\$17,556	\$210,670	100.00%	\$4,357

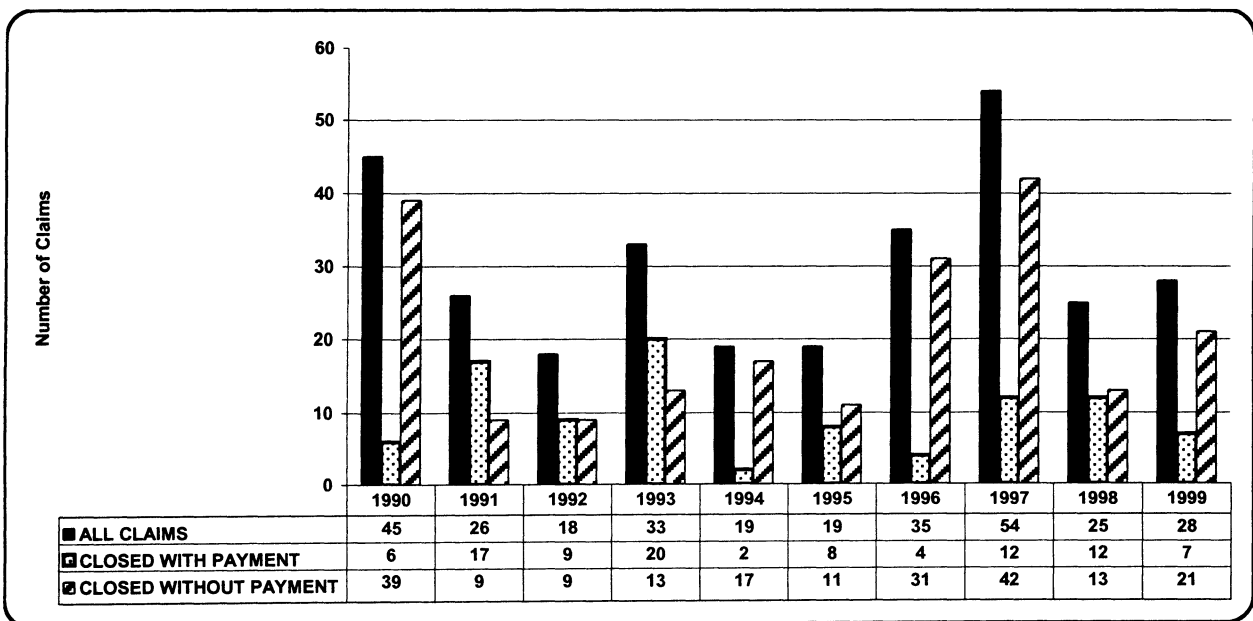
**INSURED/CLAIMANT RELATIONSHIP  
TRENDS  
OF  
1999**

## NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT

### Average Paid Indemnity & Average Loss Expense

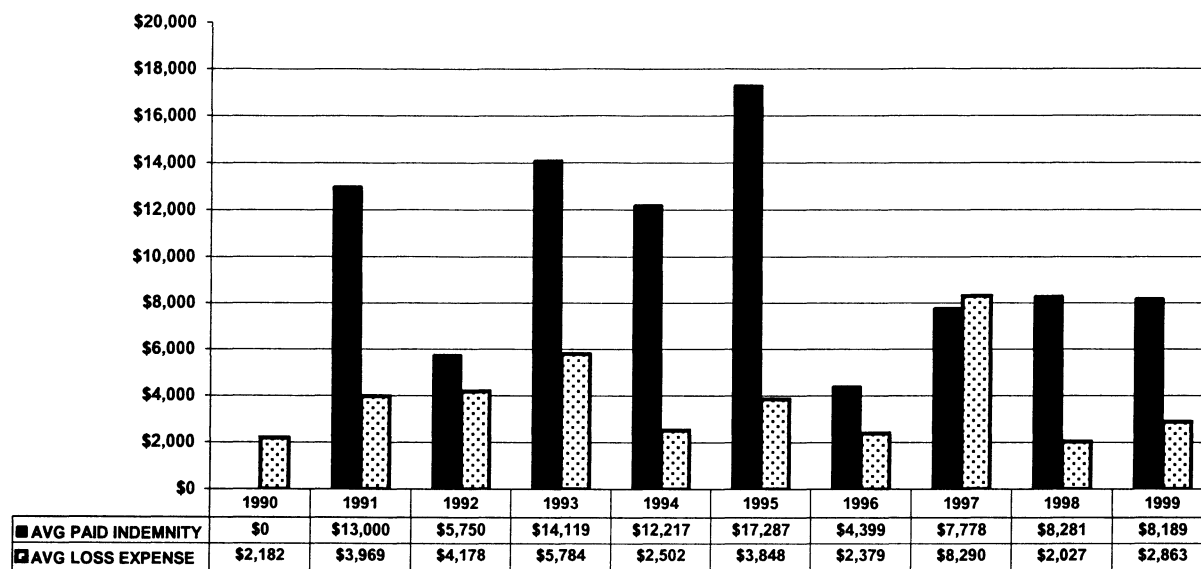


### Claim Count

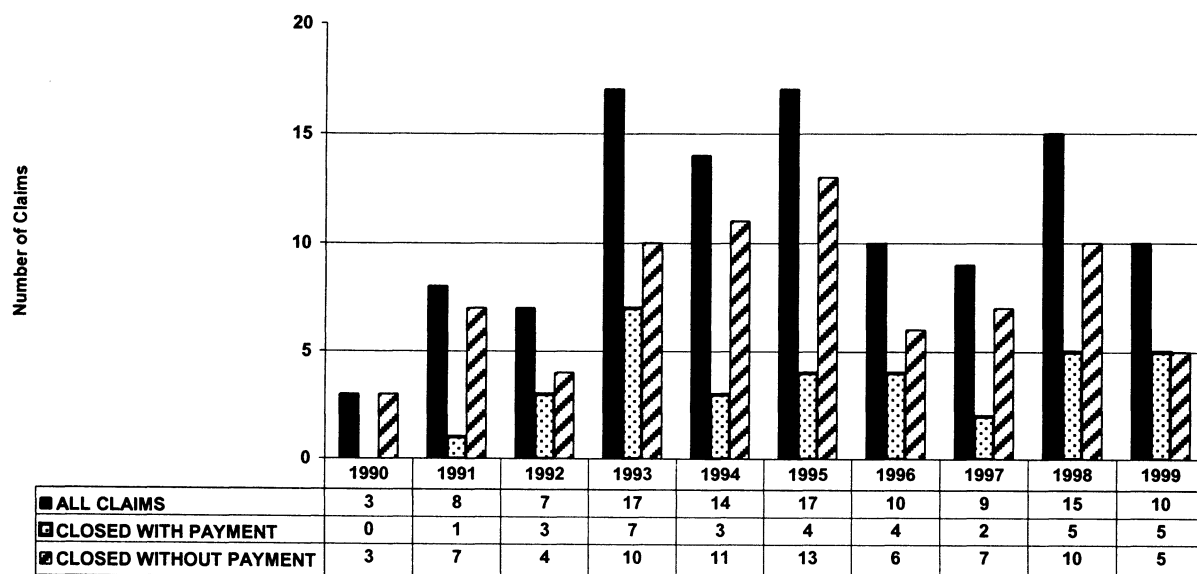


## CONTRACTUAL RELATIONSHIP WITH CLAIMANT

### Average Paid Indemnity & Average Loss Expense



### Claim Count





**PREMIUM  
AND  
LOSS DATA**

PAGE 15 SUPPLEMENT REAL ESTATE MALPRACTICE EXPERIENCE  
WITH MARKET SHARE

1999 EXPERIENCE

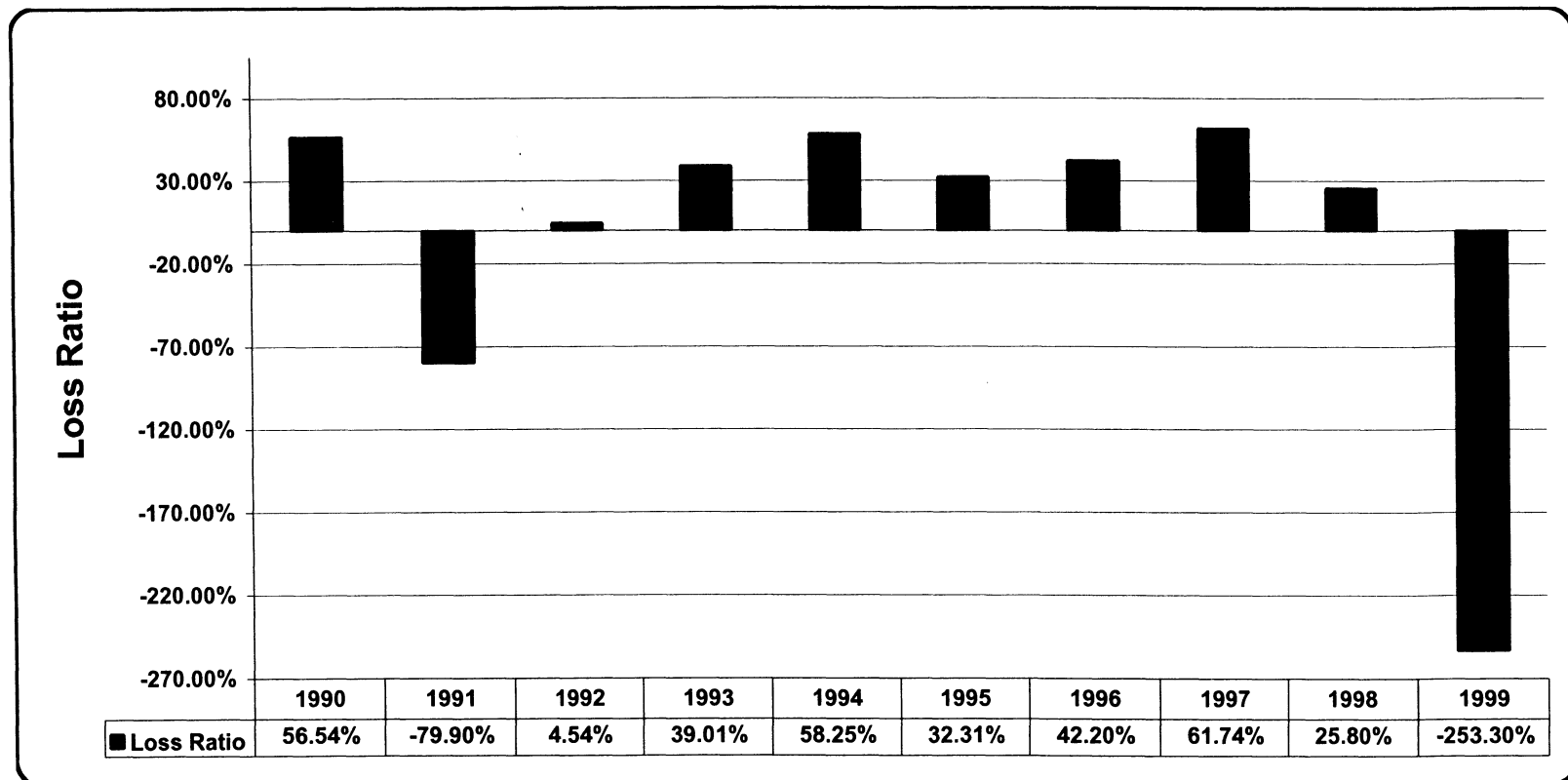
NAIC Company Code	Company Name	Market Share	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
20443	CONTINENTAL CASUALTY COMPANY	75.52%	\$311,885	\$175	-\$419,303	-239601.71%
24767	ST PAUL FIRE & MARINE INSURANCE CO	10.84%	\$44,761	\$49,450	\$14,090	28.49%
21849	AMERICAN AUTOMOBILE INSURANCE CO	9.01%	\$37,212	\$7,919	\$668	8.44%
39845	EMPLOYERS REINSURANCE CORPORATION	4.49%	\$18,554	\$33,585	\$130,470	388.48%
34207	WESTPORT INSURANCE CORPORATION	0.14%	\$576	\$373	-\$19,636	-5264.34%
20427	AMERICAN CASUALTY CO OF READING PA	0.00%	\$0	\$6,421	\$17,594	274.01%
23132	BANKERS MULTIPLE LINE INSURANCE CO	0.00%	\$0	\$0	-\$24,000	N/A
35289	CONTINENTAL INSURANCE COMPANY THE	0.00%	\$0	\$0	-\$1,889	N/A
35270	FIDELITY AND CASUALTY CO OF NY	0.00%	\$0	\$0	-\$160	N/A
20494	TRANSPORTATION INSURANCE COMPANY	0.00%	\$0	\$345	-\$13,570	-3933.33%
25682	TRAVELERS INDEMNITY CO OF CONNECTICUT	0.00%	\$0	\$285	\$0	0.00%
25674	TRAVELERS INDEMNITY CO OF ILLINOIS	0.00%	\$0	\$6,770	\$0	0.00%
25658	TRAVELERS INDEMNITY COMPANY	0.00%	\$0	\$12,320	\$17,750	144.07%
TOTAL		100.00%	\$412,988	\$117,643	-\$297,986	-253.30%

# PAGE 15 SUPPLEMENT REAL ESTATE MALPRACTICE EXPERIENCE

## TEN YEAR SUMMARY

Year	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
1990	\$671,136	\$745,357	\$421,437	56.54%
1991	\$479,109	\$463,941	-\$370,701	-79.90%
1992	\$215,703	\$193,117	\$8,765	4.54%
1993	\$332,664	\$316,333	\$123,417	39.01%
1994	\$721,963	\$591,594	\$344,609	58.25%
1995	\$816,737	\$769,978	\$248,795	32.31%
1996	\$657,869	\$686,562	\$289,707	42.20%
1997	\$619,604	\$651,641	\$402,297	61.74%
1998	\$1,559,815	\$1,688,776	\$435,667	25.80%
1999	\$412,988	\$117,643	-\$297,986	-253.30%
10-Year Total	\$6,487,588	\$6,224,942	\$1,606,007	25.80%

**PAGE 15 SUPPLEMENT**  
**REAL ESTATE MALPRACTICE EXPERIENCE**  
**TEN YEAR LOSS RATIO SUMMARY**



## DEFINITION OF TERMS

**Market Share:** The dollar amount of direct premium written by an insurer divided by the total amount of direct premiums written industry-wide for the particular line of business being analyzed, expressed as a percentage.

**Written Premium:** Amount charged when a policyholder contracts for insurance coverage before reinsurance has been ceded and/or assumed.

**Earned Premium:** The part of premium attributable to the coverage already provided in a given period before reinsurance has been ceded and/or assumed.

**Incurred Losses:** The sum of direct losses paid plus an estimate at the close of the year of the amounts to be paid in the future for all claims arising from the current and all prior years, minus the corresponding estimate made at the close of business for the preceding year. Incurred losses reported include estimated amounts unpaid for incurred-but-not-reported (IBNR) claims.

**Loss Ratio:** The dollar amount of direct losses incurred divided by the dollar amount of premiums earned for the particular line of business being analyzed, expressed as a percentage. This is an accounting representation of the portion of each premium dollar which is needed to honor a company's promise to pay claims.

**Indemnity Paid:** The sum of all payments made during the year for the benefit of insurance claimants, before reinsurance has been ceded and/or assumed. These payments include amounts paid in the current year for claims arising from the current year. Hence, this item is not a measure of the actual cost of current coverages, but only of current cash flows.

**Loss Adjustment Expenses:** The cost involved in an insurance companies adjustment of losses under a policy.

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